

**REPORT OF THE AUDIT OF THE
PIKE COUNTY
SHERIFF**

**For The Period of January 1, 2002
Through November 30, 2002**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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C R I T L U A L L E N
A U D I T O R O F P U B L I C A C C O U N T S

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable William M. Deskins, County Judge/Executive

Honorable Charles "Fuzzy" Keesee, Pike County Sheriff

Members of the Pike County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Pike County, Kentucky, for the period January 1, 2002 through November 30, 2002.

We engaged Ross & Company PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Pike County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen

Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
PIKE COUNTY
SHERIFF**

**For The Period of January 1, 2002
Through November 30, 2002**

**ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PIKE COUNTY SHERIFF

**For The Period of January 1, 2002
Through November 30, 2002**

Ross & Company, PLLC has completed the Pike County Sheriff's audit for the period of January 1, 2002 through November 30, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

A fee official in counties with a population over \$70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of fees collected are deposited in a County Sheriff's operating fund and used for operating expenses of the fee official. The remaining (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to respective county government.

Fee account balances increased by \$88,593 from the prior calendar year, resulting in a cash surplus of \$53,024 as of November 30, 2002.

Report Comment:

- Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Sheriff of Pike County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for period of January 1, 2002 through November 30, 2002. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Sheriff and the receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the period of January 1, 2002 through November 30, 2002, in conformity with the modified cash basis of accounting.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole.

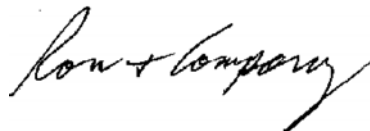
To the People of Kentucky
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Members of the Pike County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2004, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in black ink.

Ross & Company, PLLC

Audit fieldwork completed -
January 23, 2004

PIKE COUNTY
 CHARLES "FUZZY" KEESEE, COUNTY SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For The Period of January 1, 2002 Through November 30, 2002

Receipts

Federal Grants		\$	36,828	
Kentucky Law Enforcement Foundation Program Funds			52,763	
State Fees for Services			108,816	
Circuit Court Clerk				
Sheriff's Security Services	\$	28,226		
Arrest Fees		855		29,081
Fiscal Court			229,590	
County Clerk			25,310	
Commission on Taxes			508,849	
Fees Collected for Services:				
Auto Inspections	\$	10,917		
Accident and Police Reports		187		
Serving Papers		44,268		
Executions		4,982		
Carrying Concealed Deadly Weapon Permits		6,328		
Penalties on Tax Collections		65,280		131,962
Other Receipts:				
Travel Reimbursement	\$	9,884		
Other Reimbursements		224		
DARE Reimbursement		150,259		
Pike County Board of Education Supplement		1,714		
Transporting Mental Patients		16,847		
Salary Reimbursements		11,658		
Jury Reimbursement		1,432		
Kentucky Correctional Psychiatric Center		677		
Refund		9		
Bank Share Commissions		33,774		
Miscellaneous		1,726		228,204
Interest Earned				2,734
Total Receipts			\$	1,354,137

The accompanying notes are an integral part of this financial statement.

PIKE COUNTY
 CHARLES "FUZZY" KEESEE, COUNTY SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 For The Period of January 1, 2002 Through November 30, 2002
 (Continued)

Disbursements

Other Disbursements:

Executions	\$	4,535	
Jury Expense		1,432	
Reimbursements		<u>6,209</u>	\$ 12,176

Payments to State Treasurer:

75% Operating Fund**	\$	1,118,009	
25% County Fund		<u>214,891</u>	1,332,900

Payment to County Treasurer*

9,061

Total Disbursements

\$ 1,354,137

Balance Due at Completion of Audit

\$ 0

*This was money deposited into the 2002 Fee Account that was omitted from the Frankfort accounts.

** Includes reimbursed expenses in the amount of \$473,336 for the audit period. See Note 1 of Notes of Financial Statement.

PIKE COUNTY
 CHARLES "FUZZY" KEESEE, COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER

For The Period of January 1, 2002 Through November 30, 2002

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2002	\$ (35,569) *	\$	\$ (35,569)
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,118,009		1,118,009
Fees Paid to State - County Funds (25%)		214,891	214,891
Total Funds Available	<u>\$ 1,082,440</u>	<u>\$ 214,891</u>	<u>\$ 1,297,331</u>
<u>Disbursements</u>			
Pike County Fiscal Court		\$ 214,891	\$ 214,891
Payroll			
Sheriff's Statutory Maximum	\$ 73,376		73,376
Deputies' Salaries	598,022		598,022
Overtime Gross			
Employee Benefits-			
Employer's Share Social Security	48,759		48,759
Employer's Share Retirement	44,819		44,819
Employer's Paid Health Insurance	115,263		115,263
Operating Expenses	<u>149,177</u>		<u>149,177</u>
Total Disbursements	<u>\$ 1,029,417</u>	<u>\$ 214,891</u>	<u>\$ 1,244,308</u>
Fund Balance - November 30 2002	<u><u>\$ 53,023</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 53,023</u></u>

* Due to previous audit errors, we started with a new beginning balance.

The accompanying notes are an integral part of this financial statement.

PIKE COUNTY
CHARLES "FUZZY" KEESEE, COUNTY SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

November 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at November 30, 2002.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2002
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of November 30, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bonds which named the Sheriff as beneficiary/obligee on the bonds.

Note 4. Forfeiture Fund

The Pike County Sheriff maintains an official bank account for monies obtained from seizure and sale of property used in illegal drug activities. The purpose of this fund is to purchase necessary equipment for operating the Sheriff's office. The beginning balance as of January 1, 2002 was \$8,687. Interest received was \$104 and \$932 was expended. The balance of the drug forfeiture fund on November 30, 2002 was \$7,858.

Note 5. Carrying Concealed Deadly Weapon Permits

The Pike County Sheriff maintained an official bank account of receipts collected for Carrying Concealed Deadly Weapon Permits. The purpose of this fund is to distribute the appropriate fees to the Kentucky State Treasurer and the Sheriff's fee account for applications received. The beginning balance as of January 1, 2002 was \$4,646. Receipts for the period were \$14,121. This account was closed at the end of the period.

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COMMENT AND RECOMMENDATION

PIKE COUNTY
CHARLES "FUZZY" KEESEE, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

For The Period of January 1, 2002 Through November 30, 2002

INTERNAL CONTROL - MATERIAL WEAKNESSES:

Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We are recommending that the following compensating controls be implemented to offset this internal control weakness: 1) The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger; 2) The Sheriff should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. The Sheriff should also compare the salaries listed on the quarterly report to the individual earning records; 3) The Sheriff should periodically compare invoices to payments; 4) The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook.

Sheriff's Response:

None.

PRIOR YEAR:

Lacks Adequate Segregation Of Duties

Sheriff's Response:

Due to size of department, unable to comply.

The Sheriff Should Deposit Net Receipts For The Return Of Fugitives Into The Fee Account

County Sheriff's Response:

This has been taken care of for 2002.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Pike County Sheriff for the period of January 1, 2002 through November 30, 2002, and have issued our report thereon dated January 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pike County Sheriff's financial statements for the period of January 1, 2002 through November 30, 2002, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
January 23, 2004

